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REGULATORY AUTH
September 25 1996
Carolina Telephone
Centel-North Carolina
Centel-Virginia
United Telephone-Southeast

James B. Wright
Senior Attorney

OFFICIAL FILE
September 25 1996
EX-100
SECRETARY

PLEASE

DO NOT REMOVE

Mr. Eddie Roberson
Interim Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Docket No. 96-01235 (InterLata Certificate)
United Telephone Late Filed Exhibit

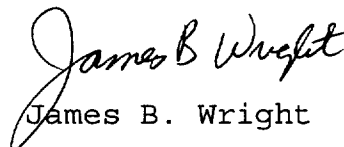
Dear Mr. Roberson:

During the September 17, 1996 hearing in the above case, the Directors requested a Late Filed Exhibit from United Telephone-Southeast, Inc. addressing (1) the safeguards that would be applicable to United's interLATA interexchange operation and (2) the price regulation plan under which the interexchange operation would be governed.

Enclosed is an original and ten copies of United's Late Filed Exhibit regarding these two matters. A copy of the Late Filed Exhibit is being furnished to counsel of record.

Please bring this to the attention of the Directors.

Sincerely yours,


James B. Wright

JBW:er

Enclosures

CC: Steve Parrot
John Walkup (w/enclosure)
Roger Briney (w/enclosure)

#8521

UNITED TELEPHONE-SOUTHEAST, INC.

LATE-FILED EXHIBIT

**CERTIFICATE TO PROVIDE INTERLATA INTEREXCHANGE
TELEPHONE SERVICE
DOCKET 96-01235**

REC'D TN
CLERK'S OFFICE
'96 SEP 27 PM 2
EXECUTIVE SECRET

Introduction

United Telephone-Southeast, Inc. (United) plans to operate its interexchange carrier (IXC) business unit in accordance with all the requirements of Rule 1220-4-2-.55 and additionally commits to utilize appropriate accounting safeguards to prevent cross-subsidization of the IXC operation by the incumbent local exchange telephone company (LEC) operations of United. The IXC certification requirements contained in Rule 1220-4-2-.55 do not require United to provide its authorized IXC services via a structurally separate subsidiary. The accounting procedures to be utilized by United will provide the same competitive safeguards as those realized through structural separation.

In accordance with T.C.A. Section 65-5-202, United's IXC business unit will file tariffs and price lists with the TRA for all intrastate services offered in Tennessee, unless the TRA determines otherwise. Also, summaries of any special contracts shall also be filed with the TRA. Prices for United's IXC business unit will be established in accordance with the pricing parameters set forth in Rule 1220-4-2-.55.

The specifics for United's accounting safeguards and price regulation plan are set forth as follows:

Accounting Safeguards

United has been held accountable for accurately managing cost separations (FCC Parts 36 & 69) and cost allocations (FCC Docket 86-111) for many years. FCC Part 32 prescribes the chart of accounts which United has utilized since 1988 and establishes uniformity and comparability between United's financials and the financials of other telephone companies. Through this account structure, United has the ability to segregate and/or aggregate separate business ventures and product lines for monitoring. To support the establishment of an IXC business unit within United (hereafter referred to as United-IXC), a specific series of accounts will be established to identify and track United-IXC transactions.

United continually reviews business processes and specifically identifies employees who engage in activities which involve regulated and non-regulated activity. This analysis allows the Company to ensure that all of these activities are properly reflected in the accounts established. Directly-assignable activities are booked to appropriate accounts. Studies determine separation and allocation of revenues, expenses and capital assets for all joint activities.

Billing processes for United-IXC will mirror existing United customer billing methods. Revenues will be booked based on customer billing according to tariffs and contracts established for United-IXC.

The expense studies include detailed labor studies, which United currently performs annually, with each person noting the different activities that he/she performs in fifteen minute increments for a representative ten day time period. These activities are then associated with specific general ledger accounts within the chart of accounts. The individual accounts allow for proper segregation/allocation of the labor charges and any related expenses. This process is used to determine the proper classification for salaries, benefits, and other expenses. The studies will be modified to include accounts assigned to United-IXC to appropriately separate activities.

United also conducts fixed assets studies for such assets as land and buildings, central office equipment, furniture, motor vehicles, company communications equipment, computers and any other fixed assets that we determine might be impacted by shared facilities. The purpose of these studies is to identify the regulated and non-regulated usage of the assets. The studies provide for proper allocation and classification of United's fixed assets and ensures that our financial statements do not reflect any cross

subsidization between regulated and non-regulated operations of United. These studies will be modified to include an appropriate allocation of assets to United-IXC.

United's studies are reviewed periodically by the Company's external auditor, Ernst & Young, which renders an opinion regarding United's financial statements. In addition, our financial records are subject to audit by state regulatory authorities to ensure proper accounting and the existence of appropriate competitive safeguards. Thus, United has the practices and procedures in place to comply with the Tennessee Regulatory Authority's requirements.

Price Regulation

A separate tariff will be established to reflect the products and services offered by the United-IXC. Tariff filings will be developed in accordance with guidelines set forth in Rule 1220-4-2.55 of Regulations for Telephone Companies. Under the IXC price regulation rules, IXC services are classified as "direct distance dialing (DDD)" or "All Other Service" in Rule 1220-4-2.55(d)1. The services initially offered by the United-IXC will be in the category of "All Other Services."

United-IXC anticipates the establishment of special contracts with business customers and, as such, will file summaries with the Tennessee Regulatory Authority as indicated in Rule 1220-4-2.55 (g) of Regulations for Telephone Companies. When

contracts are established and services are offered that require the sharing of facilities between United and United-IXC, appropriate cost studies, including those currently used to comply with FCC Parts 36 & 69 and/or FCC Docket 86-111 will be conducted.